

Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 H-02 INR-10 INT-05 L-03
NSAE-00 NSC-05 OMB-01 PM-05 ICA-20 OES-09 SP-02
SS-15 STR-07 TRSE-00 ACDA-12 SMS-01 SAS-02 SAA-01
PA-02 /141 W

-----107048 161436Z /44

R 161358Z AUG 78
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 9168
INFO AMEMBASSY RABAT
AMEMBASSY MOSCOW
AMEMBASSY PARIS
USDOE WASHDC

UNCLAS SECTION 01 OF 02 LONDON 13154

E.O. 11652: N/A
TAGS: ENRG, EMIN, TECH, MO
SUBJECT: REPORTS OF ARMAND HAMMER PRESS CONFERENCE
ON DEAL WITH MOROCCO

REF: RABAT 4963

1. THE EMBASSY IS TRANSMITTING THE TEXTS OF TWO
ACCOUNTS OF THE ARMAND HAMMER PRESS CONFERENCE, THOSE
OF THE FINANCIAL TIMES AND THE TIMES, SINCE THEY
EMPHASIZE DIFFERENT POINTS.

2. THE FINANCIAL TIMES ARTICLE READS AS FOLLOWS:

BEGIN TEXT: "OCCIDENTAL PETROLEUM OF THE U.S. HAS
ENTERED INTO A PRELIMINARY AGREEMENT WITH THE MOROCCAN
GOVERNMENT FOR THE EXPLOITATION OF SHALE OIL, EXPLORA-
TION BOTH ONSHORE AND OFFSHORE FOR OIL AND GAS AND THE
MANUFACTURE OF PHOSPHORIC ACID.

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THIS IS THE LATEST IN A SERIES OF AGREEMENTS ENGINEERED
BY DR. ARMAND HAMMER, 80 YEAR-OLD CHAIRMAN OF OCCIDENTAL
FOR THE EXPLOITATION OF NATURAL RESOURCES IN VARIOUS
PRODUCER COUNTRIES. OTHER DEALS IN RECENT YEARS HAVE
COVERED THE USSR, POLAND AND ROMANIA.

NEGOTIATIONS WITH MOROCCO ARE STILL AT AN EARLY STAGE BUT DR. HAMMER SAID YESTERDAY THAT HE HOPED TO SIGN A DEFINITE AGREEMENT COVERING TERMS AND CONDITIONS FOR THE DEAL BY NOVEMBER 1.

MOROCCO'S APPROACH TO OCCIDENTAL APPEARS TO HAVE BEEN TRIGGERED BY THE LEADING ROLE THE COMPANY HAS TAKEN IN THE DEVELOPMENT OF TECHNOLOGY FOR EXPLOITING SHALE OIL RESERVES IN THE U.S. AS WELL AS BY THE COMPANY'S PROVEN EXPERTISE IN PHOSPHORIC ACID TECHNOLOGY.

DR. HAMMER SAID IN LONDON YESTERDAY THAT THE COMPANY WAS CONSIDERING AN INVESTMENT OF SOME \$600 MILLION IN SHALE OIL IN THE U.S. OVER SIX YEARS. IT HAS ALREADY SPENT \$60 MILLION ON RESEARCHING RECOVERY TECHNIQUES, BUT IT HAS YET TO SHOW WHETHER OIL CAN BE RECOVERED ECONOMICALLY FROM SHALE AT PRESENT WORLD PRICES.

SHALE OIL EXISTS IN SOLID FORM AND THE PROCESS THAT OCCIDENTAL IS DEVELOPING INVOLVES HEATING THE ROCK TO A TEMPERATURE OF ABOUT 900 DEGREES FARENHEIT WHICH LIQUEFIES THE OIL AND ALLOWS IT TO BE PUMPED OUT.

DR. HAMMER SAID THAT MOROCCO COULD HAVE SHALE OIL RESERVES RUNNING TO SEVERAL HUNDRED BILLION BARRELS. THE MOROCCAN GOVERNMENT HAS SAID THE OIL IS LOCATED UNCLASSIFIED

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IN TWO FIELDS IN THE SOUTH.

BOTH LIE ABOUT 60 MILES FROM THE ATLANTIC COAST, THE FIRST 20 MILES SOUTH OF MARRAKESH AND THE SECOND ABOUT 60 MILES NORTH OF THE BORDER WITH SPANISH SAHARA.

OCCIDENTAL'S WISH TO EXPLORE FOR OIL AND GAS BY CONVENTIONAL MEANS IS BASED ON RECENT SEISMIC WORK UNDERTAKEN BY THE MOROCCAN GOVERNMENT IN THE NORTH OF THE COUNTRY IN THE AREA LYING BETWEEN TANGIERS AND THE ALGERIAN BORDER. EARLIER EXPLORATION BY INTERNATIONAL OIL COMPANIES HAS FAILED TO MAKE ANY COMMERCIAL DISCOVERIES.

THE INTEREST IN PHOSPHORIC ACID STEMS FROM MOROCCO HAVING ABOUT 70 PERCENT OF THE WORLD'S RESERVES OF PHOSPHATE ROCK. OCCIDENTAL IS ALREADY INVOLVED IN A BIG SWAP DEAL WITH THE USSR IN WHICH OVER A PERIOD OF 20 YEARS IT IS EXCHANGING LARGE QUANTITIES OF SUPERPHOSPHORIC ACID-BASED ON ROCK MINED IN FLORIDA-FOR RUSSIAN AMMONIA. MOROCCO COULD ALLOW THE COMPANY BOTH TO BROADEN ITS SUPPLY BASE AND EXPLOIT NEW LICENSING

OPPORTUNITIES." END TEXT

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SS-15 STR-07 TRSE-00 ACDA-12 SMS-01 SAS-02 SAA-01
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R 161358Z AUG 78
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 9169
INFO AMEMBASSY RABAT
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3. THE TIMES ARTICLE READS AS FOLLOWS:

BEGIN TEXT: "OCCIDENTAL PETROLEUM, THE UNITED STATES
BASEE GROUP, WHICH IS OPERATOR FOR THE PIPER AND
CLAYMORE FIELDS IN THE NORTH SEA, HAS REACHED AGREEMENT
IN PRINCIPLE FOR A POTENTIAL MULTI-MILLION DOLLAR
INVESTMENT IN OIL, GAS AND PHOSPHOROUS DEVELOPMENT
IN MOROCCO.

LETTERS HAVE BEEN EXCHANGED BETWEEN KING HASSAN OF
MOROCCO, AND DR. ARMAND HAMMER, CHAIRMAN OF THE
OCCIDENTAL BOARD, AGREEING THE POSSIBILITY OF COOPERA-
TION IN THREE AREAS: EXPLOITATION OF SHALE OIL;
EXPLORATION OF CRUDE OIL BOTH OFF AND ONSHORE AND THREE
VENTURES TO USE OCCIDENTAL'S PROCESS OF CONVERTING
PHOSPHOROUS ROCK INTO PHOSPHORIC ACID.
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THE MOROCCAN KING APPROACHED OCCIDENTAL AFTER INVESTIGATING AMERICAN METHODS OF COMMERCIAL EXPLOITATION OF SHALE OIL. MOROCCO HAS TWO DEPOSITS ESTIMATED TO CONTAIN SEVERAL HUNDRED THOUSAND MILLION BARRELS OF OIL EQUAL TO ONE THIRD OF OCCIDENTAL'S RESERVES IN CALIFORNIA.

COLORADO HAS THE MOST OIL OF THE THREE STATES IN WHICH OCCIDENTAL HAS FIELDS, WITH TOTAL RESERVES OF ONE MILLION BARRELS.

SO FAR THE ONLY SHALE OIL EXPLOITED COMMERCIALY IS IN THE SOVIET UNION, BUT OCCIDENTAL HAS RUN FIVE PILOT REPORTS PRODUCING A TOTAL OF 50,000 BARRELS OF OIL AND IS ABOUT TO START DEVELOPMENT OF ITS FIRST COMMERCIAL REPORT IN THE UNITED STATES COSTING \$600 MILLION (303 MILLION STERLING POUNDS) IN WHICH ASHFIELD OIL WILL HAVE A 25 PERCENT STAKE. IT WILL PRODUCE AT THE RATE OF 57,000 BARRELS A DAY FOR 15 TO 20 YEARS.

THE KEY TO THE DEAL, THOUGH, FOR OCCIDENTAL, IS THE VENTURE TO TURN PHOSPHOROUS ROCK INTO ACID. TO DATE NO COMMERCIAL FIND OF OIL OR GAS HAS BEEN MADE DESPITE EXTENSIVE DRILLING IN MOROCCO AND THE OIL SHALE MIGHT NOT PROVE EYPLOITABLE.

BUT MOROCCO HAS 73 PERCENT OF THE WORLD'S PHOSPHATE RESERVES AND OCCIDENTAL HAS A 20-YEAR CONTRACT TO SUPPLY THE RUSSIANS WITH 500,000 TONNES A YEAR OF SUPER PHOSPHORIC ACID IN RETURN FOR THE SHIPMENT OF AN EVENTUAL TWO MILLION TONNES A YEAR OF AMMONIA TO THE

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UNITED STATES." END TEXT

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Message Attributes

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